

FALL 2008

AUBURN

Thursday, November 6

MARLBOROUGH

Thursday, November 6

HYANNIS

Thursday, November 13

CAMBRIDGE

Monday, November 17

HOLYOKE

Tuesday, November 18

IPSWICH

Thursday, November 20

SHELBURNE FALLS

Thursday, November 20

CAMBRIDGE

Monday, November 24

WEYMOUTH

Tuesday, November 25

CAMBRIDGE

Thursday, December 4

Ready for Retirement

Presented by the MTRS Member Services, Benefits Administration and Communications and Training units

OVERVIEW

Part 1 Pre-retirement issues

What you need to do and consider before you retire

Part 2 The application process

A step-by-step walk-through of the process, so that you know what to do and to expect—and when

Part 3 Other retirement issues

Other topics you need to be aware of as you approach retirement

Q&A

Main Office

One Charles Park, Cambridge, MA 02142-1206


Phone 617-679-MTRS (6877) Fax 617-679-1661

Western Regional Office

101 State Street, Suite 210, Springfield, MA 01103-2066

Phone 413-784-1711 Fax 413-784-1707

Online mass.gov/mtrs



2


Overview

Part 1 Pre-retirement issues
What you need to do and consider before you retire

Part 2 The application process
A step-by-step walk-through of the process, so that you know what to do and to expect—and when

Part 3 Other retirement issues
Other topics you need to be aware of as you approach retirement

Q&A




3

An important—and timely—note about the MTRS plan and your benefits...

- Your retirement benefits are secure as a contractual obligation of the Commonwealth
- Your benefit is determined according to a set formula, and paid monthly for life
- Fluctuations in the financial markets do **not** affect the formula or the amount of your benefits; the pension fund is invested in a well diversified portfolio, with a focus on long-term returns

- The MTRS is a **defined benefit** plan under Section 401(a) of the Internal Revenue Code.
- Please visit our website for information on the pension fund's investment allocation and performance history.




Part 1: Pre-retirement issues

5

First, know the eligibility criteria

- Two retirement plans under the MTRS, each with different eligibility criteria:
 - **"Regular"**
 - Any age, with **20 years** of creditable service, OR
 - **Age 55** with **10 years** of creditable service
 - **RetirementPlus**
 - Any age, with **30 years** of creditable service, at least **20 years** of which must be "teaching" service with the MTRS or Boston Retirement System

Part 1: Pre-retirement issues



Part 1: Pre-retirement issues 6

Second, understand the benefit calculation formula

Age factor based on your age at retirement


x Your number of years of **creditable service**

Allowed percentage of salary average
+ **RetirementPlus** percentage, if applicable

Allowable percentage of salary average (80% max)
x **Salary average** (highest three consecutive years)

Your Option A annual allowance subtotal
+ **Veteran's bonus**, if applicable
(\$15 per year of creditable service, up to \$300)


Your Option A annual allowance total



Part 1: Pre-retirement issues 7

Third, consider the three benefit options

Option	Retiree benefit amount	Survivor benefit, if any, upon retiree's death
A	Maximum allowance	None
B	Appr. 1% less than Option A amount	One-time lump-sum payment of balance, if any, remaining in retiree's account; no restrictions on beneficiary designation
C	Appr. 9–11% less than Option A amount	Monthly benefit, equal to 2/3 of retiree's benefit, to one named beneficiary (restrictions apply); pop-up provision



Part 1: Pre-retirement issues 8

Fourth, complete your service purchases NOW

- If you have rendered past creditable service that is eligible for purchase (see handout for list), investigate the benefit and cost of purchasing it **NOW**, if you haven't already
- **All service purchases must be paid in full prior to your date of retirement—remember:**
 - Certain types of creditable service must be purchased while you are still an active member
 - Rollovers and trust-to-trust transfers take time—start now
 - Late payments will postpone your date of retirement and delay your first retirement check

Option B

- There are no restrictions on who or how many individuals or entities may be named as beneficiary.
- In most cases, the annuity will be depleted in 9 to 11 years.

Option C

- The beneficiary must be the member's parent, child, sibling, spouse or former spouse who has not remarried.
- If your Option C beneficiary predeceases you, your monthly benefit will "pop up" to the Option A benefit amount that you would have received on the date of your retirement, plus any cost-of-living adjustments.

You may purchase credit for:

- ☐ Out-of-state public school teaching
- ☐ Overseas Department of Defense dependent school teaching
- ☐ Non-public school teaching (out-of-state or in Massachusetts; restrictions apply)
- ☐ Massachusetts public school substitute, temporary or part-time teaching or tutoring
- ☐ Peace Corps service
- ☐ Massachusetts public service (a municipal department or state agency)
- ☐ Active military service (during your membership in a MA contributory retirement system or at any time)
- ☐ Vocational work experience service

Part 1: Pre-retirement issues



Part 1: Pre-retirement issues **9**

Fifth, plan for your health insurance coverage

Avoid surprises—a year **BEFORE** your date of retirement...


- Contact your appropriate insurance coordinator...
 - if **in** Retired Municipal Teachers' (RMT) Program (see list): Group Insurance Commission
 - if **not** in RMT: Local insurance coordinator; also applies if district participating in "GIC Municipality Program"
- Find out if Medicare eligibility will impact your future insurance benefits; understand your options
- Understand survivor health insurance benefits—do they exist?
- Make arrangements to pay premiums directly, if necessary, until your retirement payments begin

For information on your health insurance coverage options in retirement, if your district:

- Participates in the Retired Municipal Teachers' (RMT) Program (see list, below), contact the **Group Insurance Commission** at mass.gov/gic, or 617-727-2310.
- Is not listed as participating in the RMT Program, below, please contact **your local insurance coordinator**. (Note: Your city or town may participate in the "GIC Municipality Program." If so, you should still contact your local insurance coordinator as he or she will administer your coverage, which is provided through the GIC.)

Districts participating in the Retired Municipal Teachers' (RMT) Program as of October 2008

Amesbury	Dedham	Hudson	North Middlesex	Rockland	Upper Cape Cod
Amherst	Dennis	Lawrence	Regional	Rockport	Regional
Amherst-Pelham	Eastham	Martha's Vineyard	Norwell	Rutland	Ware
Regional	Everett	Regional	Orange	Salem	Wareham
Andover	Gloucester	Medford	Paxton	Salisbury	Watertown
Barnstable	Granby	Milton	Peabody	Shawsheen Valley	West Bridgewater
Billerica	Greater Lawrence	Monson	Pelham	Regional	Westfield
Blackstone Valley	Regional	Narragansett	Pioneer Valley	Spencer	West Springfield
Regional	Hampden-	Regional	Regional	Spencer-East	Weymouth
Blue Hills Regional	Wilbraham	Newbury	Plainville	Brookfield	Whitman-Hanson
Bourne	Regional	North Adams	Quabbin Regional	Regional	Regional
Braintree	Harvard	North Andover	Randolph	Stoneham	Wilbraham-Paxton
Bridgewater	Hingham	North Attleboro	Rehoboth	Stoughton	Woburn
Cohasset	Holyoke		Revere		



Part 2: The application process **11**

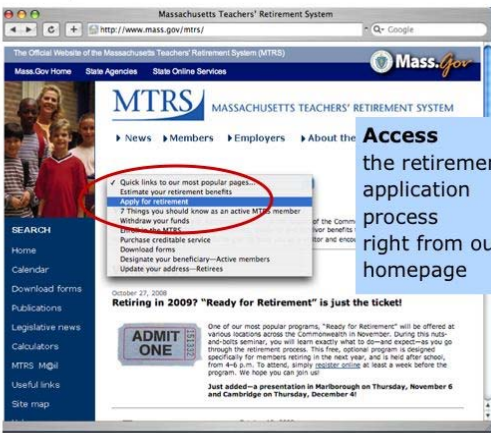
Five basic steps...

What you need to do...	When, relative to retirement date...
1. Go online to the MTRS website and estimate your benefit, review general issues and download the two-part Retirement Application	6 months before
2. Complete Part 1, gather your required documents, and give Part 2 to your payroll official for completion	5 months before
3. Receive Part 2 from your payroll official and submit your application to MTRS	3-4 months before
4. Receive your <i>Notice of Estimated Retirement Benefits</i> from MTRS	About 1 month before
5. Receive your first retirement check!	Second full month after

Part 2: The application process

Part 2: The application process12

Step 1: Go online and...



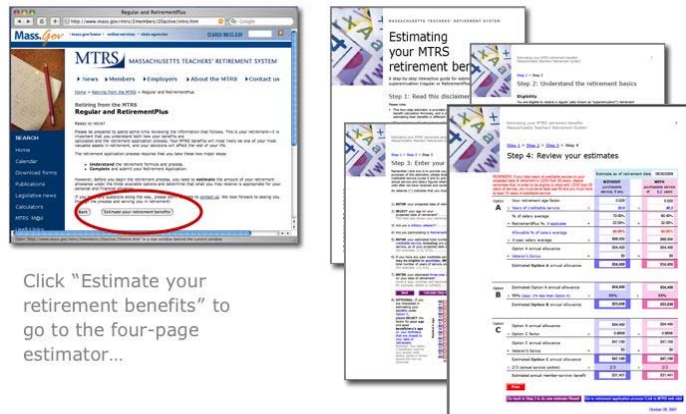
Access the retirement application process right from our homepage

Go to www.mass.gov/mtrs, and in the “Quick links to popular pages” drop-down menu, select “**Apply for retirement.**”

This will bring you to...

Part 2: The application process13

...Estimate your retirement benefit using the interactive estimator




Click “Estimate your retirement benefits” to go to the four-page estimator...

...the first page of the retirement application process.

Using the buttons at the bottom of the pages, follow the steps to **estimate** your retirement benefit...

Part 2: The application process14

...Review the common Q&A—it’s likely that you’ll see your questions asked and answered here



Review these common questions and answers. You will find the button to proceed to Step 2 at the bottom of the page.

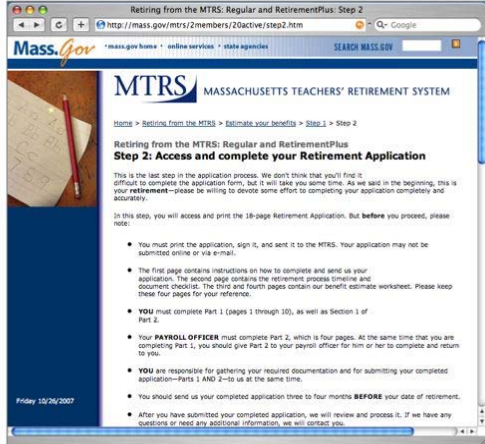
- 1) When will I be eligible to receive a regular retirement allowance from the Massachusetts Teachers' Retirement System?
- 2) Instead of receiving a retirement allowance, can I receive a refund of my contributions and interest?
- 3) What constitutes “creditable service” and can I receive credit for earlier teaching and public service?
- 4) How much does it cost to purchase past service?
- 5) When must I purchase creditable service?
- 6) How do I purchase creditable service?
- 7) Are veterans entitled to additional benefits?
- 8) Is my retirement allowance taxable?
- 9) Is there a social benefit when both spouses are members of the same or different Massachusetts retirement systems?
- 10) Are there any restrictions on working after I retire?
- 11) What are the three retirement options?

...review our Frequently Asked Questions, and...

Part 2: The application process

Part 2: The application process15


...Download the Retirement Application



...download the Retirement Application.

Part 2: The application process16

Step 2:
Complete the **application**



- 18 pages; interactive pdf format
- Complete onscreen in part or full, or print and complete by hand

Please note: If your salary changes **after** you submit your application to the MTRS, report these changes to the MTRS, including:

- retroactive contract settlements,
- stipends not previously reported on your retirement application, and
- unpaid leaves of absence or unpaid sick leave.

Part 2: The application process17

Step 3:
Submit the application



- **Receive** completed Part 2 from payroll official
- **Attach ALL** required documents
- **Make** a copy of everything for your records
- **Submit BOTH** Part 1 and Part 2 together to the MTRS (eastern MA, Cambridge office; western MA, Springfield office)
- MTRS will review your application and send you a letter to acknowledge it as received, and either **complete** or **incomplete**, with a request for the missing documentation

We advise you to file your retirement application three to four months before your retirement date. However, by law, you may file your application up to 60 days after your effective date of separation from service and still use the date of separation as your retirement date.



If you file your application more than 60 days after your date of separation from service, the earliest effective date of retirement you may use will be 15 days after the date we receive your completed application. Also, if you are retiring on your birthday, use that exact day as your date of retirement, **not** the day after.

Part 2: The application process



Part 2: The application process

18

Step 4: Receive your *Notice of Estimated Benefits*

- Applications processed on a “first-come, first-served” basis
- We may need to contact your school department for additional information; we will notify you if this causes a delay
- Please note: Calculations may take up to four months to complete
- Once your benefit calculation is complete, your *Notice of Estimated Retirement Benefits* letter will be sent to you

Your *Notice of Estimated Benefits* will include:

- the components of the retirement formula used to calculate your benefit amount, including your number of years of creditable service, your three-year salary average and, if you selected Option B or C, information on your beneficiary;
- your monthly and annual retirement benefit amounts; and,
- if you selected Option C, the amount of your survivor benefit.



Part 2: The application process

19

Step 5: Receive your first retirement payment!

- Regardless of when your first payment is issued, all payments are **retroactive** to your date of retirement
(provided you have filed your application *before* your date of retirement or *within 60 days after* your date of separation from service)
- If you sign up to receive your benefit payments via direct deposit, your first payment **may** be sent via US mail
(only when standard testing of the electronic funds transfer process with your bank cannot be completed before our monthly payment processing date)

Retirement checks are issued at the end of each month and represent payment for the *previous* month.

For example, the payment that you receive at the end of January is the payment **for** January.



Part 3: Other retirement issues

21

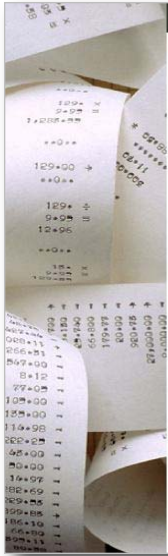
Direct deposit

(also known as Electronic Funds Transfer)

- Direct deposit of your retirement allowance is the recommended method of payment; now, over 85% participation
- Your monthly retirement allowance is transferred to your bank account on the last business day of each month
- You receive a monthly statement: when there is a change to your retirement allowance; when the MTRS needs to notify all retirees of an announcement; and, every December (year-end summary)

When you do get a direct deposit statement from us, please be sure to review the “message area” for news and updates!

Even if you receive your payment via direct deposit, it is vital that you keep your address current with us, to ensure that you continue to receive important mailings—such as your 1099-R tax form and Benefit Verification form—from us.



Tax issues

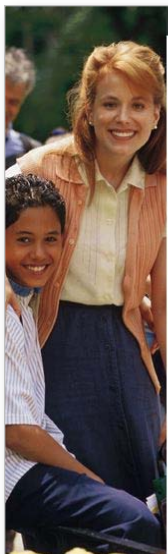
- Your retirement allowance is **not** subject to Massachusetts state income tax
- Your retirement allowance is federally taxable
- Many of you will have slightly reduced “taxable” earnings each year because of “post-tax” dollars in your annuity savings account at the time of your retirement
- If you intend to move out of state, check with the Department of Revenue in that state to determine if your retirement allowance is subject to state income tax

As a reminder, your “after-tax” amount includes your contributions prior to 1988, plus any payments made to buy back prior service.



Tax issues

- By January 31st of each year, we will mail you a **1099-R** tax form (the retiree version of your W-2 form)
- Gross earnings and taxable earnings will be detailed on the 1099-R
- You are also required to provide proof that you remain eligible (i.e., alive) to receive your retirement allowance
- The **Benefit Verification Form** is a periodic process to prevent pension fraud and to ensure your benefits are being paid to the rightful and living recipient; your notarized signature is required



Post-retirement employment

There are **no limits** on the following:

- Employment in the private sector
- Employment in another state—public or private
- Employment within the federal government
- Volunteering



Post-retirement employment

General earnings and service limitations on re-employment in the **Massachusetts public sector**

- 60 day period of separation from service required; waived if retiring at age 65 or at 80% maximum benefit
- Cannot exceed **960 hours** in a calendar year
- Post-retirement earnings **cannot exceed** the difference between the current salary of the position from which you retired, and the amount of your annual pension

These limitations apply to post-retirement employment with a Massachusetts public employer. In other words, if your compensation is paid directly by a city, town, county or the Commonwealth, the limitations will apply.

The work that you perform does not necessarily have to meet the requirements for membership in a Massachusetts contributory retirement system; these limitations apply if you receive *any* check issued by a public employer in Massachusetts, including work as a consultant.



Post-retirement employment

Example: Calendar year 2009

2009 salary for your pre-retirement position	\$55,000
- Annual gross retirement allowance	\$40,000
2009 earning limit	\$15,000

The earnings limitations on re-employment of retirees in the Massachusetts public schools may be eased if the Department of Elementary and Secondary Education (ESE) determines there is a "critical shortage" in a particular position. The ESE has adopted regulation 603 CMR 7.03(b), allowing the Commissioner of Elementary and Secondary Education to deem that a district has a "critical shortage" upon the request of a superintendent and demonstration that the district has made a good-faith effort to hire non-retirees and has been unable to find them. The "critical shortage" application process is similar to that for requesting a waiver for certification.



Post-retirement employment

Different rules in the event of an ESE-approved "critical shortage":

- RetirementPlus retirees must wait two years to be eligible
- School district must contact the ESE to obtain a one-year "waiver" for a specific position
- If above are met, the retiree may work without earnings limitation for the duration of the critical shortage "waiver"

Note: ESE is the Department of Elementary and Secondary Education, formerly known as the Department of Education, or DOE



Post-retirement employment

Additional precautions:

- Service rendered as a “consultant” to a MA public school or agency **is** subject to the service and earnings restrictions
- You may elect to waive or “freeze” your benefit if you are approaching your earnings or service limits
- If you exceed the allowable limits, the MTRS or your employer must recover all excess earnings from you



Social Security: Two “double-dipping” laws

If you are eligible for Social Security benefits based on your...


- **Own employment earnings:**
Windfall Elimination Provision (WEP)
 - Exempt from WEP if you were eligible to retire from the MTRS prior to 1/1/86
- **Spouse’s employment earnings:**
Government Pension Offset (GPO)
 - Exempt from GPO if you were eligible to retire prior to 12/1/82

See our handout, *Social Security and the MTRS member*



Social Security

- Even if you are subject to the WEP or GPO, you may still qualify for Medicare either on your own or through your spouse
- For more information, please visit **www.medicare.gov**



Part 3: Other retirement issues 31

Cost-of-Living Adjustments

- **Eligibility:** MA public retirees are eligible for COLAs after one full fiscal year of retirement
- **Granted by Legislature:** As part of the annual budget process, a COLA is subject to approval by vote of the MA Legislature
- **Amount:** Currently, 3% or the CPI, whichever is less, on the first \$12,000 of your retirement allowance, for a maximum increase of \$360 per year

The Board's legislative agenda continues to include advocating for an increase in the cost-of-living adjustment (COLA) base while securing the purchasing power protection of our retired members, and establishing an employee pension contribution rate that is reflective of the retirement benefits earned by our members.

To keep abreast of pending legislation, please visit our website and go to News > Legislative updates.

So...ready for retirement?

After you retire, we will still be here to serve you—and we look forward to continuing our relationship with you for many years. Please know that, throughout your retirement, we will continue to have responsibilities to each other.

During your retirement, **YOU** need to:

- **CONTACT** the MTRS if you...
 - **change** your name, address or Social Security number
 - **lose** your retirement check
 - become **re-employed** by a Massachusetts public employer and exceed the time and earnings limitations
 - become **divorced**, and your retirement allowance is divided
 - want to **change** your withholding for federal taxes, retiree beneficiary designation (Option B only), or payment method (mailed check or direct deposit)
 - want to **participate** in the governance of the MTRS as an elected Board member
 - if you are receiving an ordinary or accidental disability retirement benefit, **begin to receive** Workers' Compensation benefits, or **have a change** in your Workers' Compensation benefits
- **COMPLETE** and **RETURN** your Benefit Verification form when we mail it to you, to confirm that you are still eligible to receive your benefit payment
- **ADVISE** your survivors to contact us in the event of your death

During your retirement, **WE** will:

- **pay** you a monthly retirement allowance;
- **forward** your health insurance payment, if applicable;
- pursuant to your instructions, **withhold** federal income tax from your benefit payment;
- in January of every year, **send** you a 1099-R tax form every year; and,
- **pay** a benefit to your survivor, if applicable.

Again, thank you for taking an active interest in preparing for your retirement by attending our program today. We hope that it has been informative and helpful in making you ready for retirement!

Your retirement process timeline and checklist

To fill in the dates, start with “Your date of retirement” and work backward

As you will see on the application, you are asked to list all of your creditable service and provide your “best estimate” of your total number of years.

Please note that it is NOT necessary for you to request a “creditable service letter” from the MTRS in order to complete your application.

When we process your application, we will determine your exact amount of creditable service and notify you of the total before your benefit is finalized.

When (in relation to your date of retirement)	Action	Your dates
One year before	<input type="checkbox"/> CONTACT your local health insurance coordinator to confirm the health insurance coverage for which you will qualify as a retiree. If you cover a spouse or other dependent, be sure to ask about dependent coverage while you are retired <i>and</i> in the event of your death.	/ /
7–8 months before	<input type="checkbox"/> GO to our website at mass.gov/mtrs , and select Members > Active members > Creditable service. Review all of the types of service listed and apply to purchase any that apply to you and for which you have not yet established credit.	/ /
6 months before	<input type="checkbox"/> GO to our website at mass.gov/mtrs , and, in the “Quick links to our most popular pages” menu, select “Apply for retirement.” Follow the steps to estimate your benefits, review FAQ and download and print your retirement application.	/ /
4–5 months before	<input type="checkbox"/> Complete Part 1 of the application and forward Part 2 to your payroll officer for completion. <input type="checkbox"/> Gather your required documents. ⚠ NOTE: If you do not submit the required documents with your application, your application will not be processed. <ul style="list-style-type: none"> <input type="checkbox"/> Copy of marriage certificate (<i>if you no longer use your maiden name or if you are selecting Option C and naming your spouse as beneficiary</i>) <input type="checkbox"/> Certified copy of your birth record <input type="checkbox"/> Copy of your military discharge form DD214 (<i>if you are a veteran</i>) <input type="checkbox"/> Copy of your notice of termination (<i>if you are filing for a termination retirement allowance OR are retiring on a day other than the last day in your contract year</i>) <input type="checkbox"/> Copies of your contracts/salary schedules for your 3-year salary average period, including any pages referencing contractual language to substantiate any earnings in excess of your regular contract rates <input type="checkbox"/> A VOIDed check (<i>if you select direct deposit to a checking account</i>) <input type="checkbox"/> Completed Option B beneficiary designation (<i>if you are selecting Option B</i>) <input type="checkbox"/> Certified copy of your beneficiary’s birth record (<i>if you are selecting Option C</i>) <input type="checkbox"/> Copy of your qualified Domestic Relations Order (<i>if you are divorced and have such an order in effect</i>) <i>We will return original documents to you.</i>	/ /
3–4 months before	<input type="checkbox"/> Receive signed Part 2 from your payroll officer. <input type="checkbox"/> Make a copy of your application and attachments. <input type="checkbox"/> Submit application and ALL attachments to MTRS. <i>We will acknowledge receipt of your application in writing.</i> <input type="checkbox"/> Make payment for any pending creditable service purchases.	/ /
About one month before your first pension check	<input type="checkbox"/> Receive Notice of Estimated Retirement Benefit (NERB) and first payment information from MTRS.	/ /
Your date of retirement		/ /
Second full month after	<input type="checkbox"/> Receive first retirement allowance payment from the MTRS.	/ /